GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

UNSTARRED QUESTION NO:5580
ANSWERED ON:29.04.2003
EXPENDITURE DURING 9TH FIVE YEAR PLAN
RAGHUNATH JHA

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether less expenditure was incurred by his Ministry than the approved outlay during the 9th Five Year Plan (1997-2000) and the Ministry failed to achieve the laid down objectives as has been brought out by the Standing Committee on Petroleum and Chemicals in its Report No.13 of 2001 in paras 17-19;

(b) if so, the details thereof;

(c) whether the Government have examined the observations; and

(d) if so, the outcome thereof alongwith the action taken thereon?

Answer

THE MINISTER OF CHEMICALS AND FERTILIZERS (SUKHDEV SINGH DHINDSA)

(a) to (d): The details of the observations of the Standing Committee onPetroleum and Chemicals in its Report No.13 of 2001 in paras 17-19 is available in the published Report of the Standing Committee on Petroleum and Chemicals.Paras 17-19 and the reply submitted to the Standing Committee are reproduced in the enclosed annexure. The reasons for shortfall in expenditure have been clearly brought out in the reply submitted to the Standing Committee. Theobservations of the Standing Committee for improvement in monitoring/evaluation have been noted for further action.

ANNEXURE REFERRED TO IN REPLY TO PART (a) TO (d) OF LOK SABHA UNSTARRED QUESTION No. 5580 TO BE ANSWERED ON 29.4.2003.

17. The Committee noted that the approved outlay for the 9th Five Year Plan (1997-2002)for the Department of Chemicals and Petrochemicals was Rs.6760.00 crore which was brought down to Rs. 4012.56 crore. But even this outlay is not likely to be utilised as the actual expenditure during the first four years remained at Rs.2739.28 crore only. After adding the likely expenditure of Rs.209 crore slated for the last year of the Plan, the total utilisation comes to Rs.2948.28 crore which is much less than the scaled down outlay. The Department has attributed the reasons for low utilisation to
(i) tardy progress in finalisation of gas supply agreement for Assam Gas Cracker Project;
(ii) variation of actual expenditure in respect of Bhopal Gas Leak Disaster; and
(iii) resource constraints faced by IPCL and HOCL, the internal generation of funds by both these PSUs beingunder severe pressure during the last four years due to unfavourable market conditions. The Department has stated that when 9th Five Year Plan was conceived in 1997, the growth rate was around 7.2% but it slowed down later in subsequent years to 5 per cent. During evidence, the Department admitted that talk of disinvestments in IPCL withoutactual having taken place also affected the utilisation of planned outlay to some extent. Although the Department has stated that they had been periodically interacting with thePlanning Commission/Ministry of Programme Implementation, yet the Committee`sinference is that no serious formal interaction took within these organisations.

18. The Committee have been stressing repeatedly the importance of planned development. The planning is based on a serious stock taking of the strength of past achievements and failures and seeks to provide balanced targets for the future. The implementing agencies should develop vision and commitment to achieve the laid down objectives/targets.

19. The Committee are constrained to observe that the Department has failed to achievethe laid down objectives for 9th Five Year Plan. Planning Commission/Ministry ofProgramme Implementation have also not played their monitoring role well. The Committee recommend that Planning Commission should evaluate performances of all Ministries with regard to their achievements of planned objectives and based upon their experiences, formulate guidelines for laying minimum standards which each implementing agency/Ministry/Department must achieve in a particular year. If any agency fails to achieve this, Planning Commission should hold a review meeting half- yearly with the agencies to evaluate the reasons for non-performance. In each Ministry/Department an exclusive cell should be entrusted with specific assignment, responsibility and accountability to implement the Planned Schemes.

REPLY OF THE GOVERNMENT

This recommendation is a general recommendation of the Committee concerning plan schemes under all Departments and Ministries.

2. In so far as the observation of the Committee that this Department has failed toachieve the laid down objectives of the 9th Five Year Plan is concerned, it may be stated that when the Five Year Plan was prepared by the Department in 1996-97, it was drawn up in the back drop of three consecutive years of high growth on an average of 7.2%. However, the Plan was finally approved after two years of formal commencement of the plan period, i.e. in 1999 by which time the economic growth of the country had slowed down from 7.2% to 5%. Therefore, the Plan had to be scaled down keeping in view the unfavourable market conditions and changed economic scenario. Accordingly, the 9th Plan of the Department was proposed to be reduced from the original Rs.6760 crores to Rs.4012.56 crores mainly because of the resource constraint faced by Indian Petrochemicals Corporation Limited and Hindustan Organic Chemicals Limited. Both these PSUs account for 95% of the approved Plan outlay of the Department.This was due to factors, which had affected not only Chemicals & Petrochemicals Sector but thewhole economy as the pace of the growth of the Indian economy had slowed down. Further due to the decision of the Government to disinvest 25% of its equity in IPCLalongwith transfer of management control in favour of a strategic buyer, the new schemes for implementation were kept pending since, it was felt that in case of transfer of management control from the Government to a strategic buyer, there would be no need to implement new schemes in the company. HOCL, which had been traditionally a profitmaking company, not only turned into a loss making from the first year of the 9th Plan itself but also started making cash losses due to changed business environment necessitating the company to face increased competition. These factors accounted for the change in the Plan size/non-implementation of the original plan of the Department. As will be seen, these factors were beyond the control of the management of the companies or the Department of Chemicals & Petrochemicals.

3. In view of the position explained in the paragraph 1, this Department has forwarded the recommendation under reference to the Planning Commission for appropriate action in the matter.